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# Treasury Financial Manual

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Transmittal Letter No. 401

Volume II

**To: Federal Reserve Banks and Branches**

## 1. Purpose

This transmittal letter releases revised TFM Volume II, Part 6, Chapter 2000: Issuance and Redemption of Gold Certificates. This chapter prescribes procedures to be used for issuing and redeeming gold certificates.

## 2. Page Changes

### Remove

Table of Contents for Part 6 (T/L 377)

Table of Contents for Volume II (T/L 397)

TFM Volume II, Part 6, Chapter 2000 (T/L 377)

### Insert

Table of Contents for Part 6

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## 3. Effective Date

This transmittal letter is effective immediately.

## 4. Inquiries

Direct questions related to the gold certificates account balances to:

Credit Accounting Branch  
Financial Accounting and Services Division  
Financial Management Service  
Department of the Treasury  
3700 East-West Highway, Room 622D  
Hyattsville, Md. 20782  
Telephone: Scott Barber, Manager, 202-874-8011  
Email: [Scott.Barber@fms.treas.gov](mailto:Scott.Barber@fms.treas.gov)

Direct questions related to gold certificates to:

Cash Control Branch  
Cash Accounting and Reporting Directorate  
Financial Management Service  
Department of the Treasury  
3700 East-West Highway, Room 500E  
Hyattsville, MD 20782  
Telephone: Karen Stewart, Manager, 202-874-9863  
Email: Karen.Stewart@fms.treas.gov

A handwritten signature in dark ink, appearing to read 'D. Lebryk', with a stylized flourish at the end.

Date: September 13, 2011

David A. Lebryk  
Commissioner

## Part 6—Chapter 2000

# Issuance and Redemption of Gold Certificates

This chapter prescribes procedures to be used for issuing and redeeming gold certificates.

### Section 2010—Scope and Applicability

Gold certificates are book-entry transactions that represent the monetization of Government-owned gold at its par value of \$42.2222 per ounce. The instructions in this chapter apply to the Federal Reserve Banks (FRBs) and the Board of Governors of the Federal Reserve System. The Federal Reserve Bank of New York (FRB-NY) issues and redeems gold certificates on behalf of the U.S. Department of the Treasury (Treasury). The value of the gold certificates is credited to Treasury's General Account (TGA) and is used for the general operating expenses of the Federal Government.

### Section 2015—Authority

The Secretary of the Treasury is authorized by 12 U.S.C. 391 to use FRBs to act as depositaries and fiscal agents of the U.S. Government and by 31 U.S.C. 5117 to issue and redeem gold certificates. Section 16 of the Federal Reserve Act, as amended (12 U.S.C. 467), requires the Secretary of the Treasury to prescribe, by regulation, the form of receipt and to approve the order form used for deposits and withdrawals of gold certificates held by Treasury.

### Section 2020—Background

Treasury reports on gold holdings in various publications. The Financial Management Service (FMS) prepares the *Status Report of U.S. Treasury-Owned Gold* (the Gold Report) that provides a report of the type and location of Government-owned gold. This report is available on FMS's Web site at <http://www.fms.treas.gov/gold>. Summary gold data, by account, also is provided in the *Monthly Treasury Statement of the U.S. Government*; the *Combined Statement of Receipts, Outlays, and Balances of the U.S. Government*; and the *Financial Report of the U.S. Government*.

Gold certificates represent a Treasury liability to the FRB since the FRB has loaned cash to the Federal Government with gold as the collateral. Liabilities incurred by issuing gold certificates are limited to the gold being held in the TGA at the standard (par) value established by law. Since 1934, gold certificates have been issued in nondefinitive or book-entry form on Treasury's books. When gold certificates are issued, FRB-NY increases the U.S. dollar deposits in the TGA.

### Section 2025—Definitions

**Asset and Liability Statement (A&L)**—A monthly report submitted by the U.S. Mint that identifies the fine troy ounces and par value of gold and silver

on hand that is in deep storage or held as working inventory to mint congressionally authorized coins.

**Book Entry**—An accounting procedure used to increase or decrease an account's balance without the physical transfer of assets. Entries to this account are supported by validated data rather than by currency.

**Demonetization**—An accounting process used to reverse the cash value assigned the U.S. gold holdings.

**FMS 224: Statement of Transactions**—A monthly report submitted electronically by Federal Program Agencies (FPAs) that identifies the collection and disbursement activity of the FPAs by Treasury account symbol.

**Monetization**—An accounting process used to give cash value to U.S. gold holdings. Gold is valued at the par value of \$42.2222 an ounce, as established by law. FRB-NY credits the Treasury's operating cash account for the amount of gold designated to be monetized by Treasury.

**Transcript**—A daily automated report transmitted by all FRBs to FMS that identifies the financial transactions (for example, check payments and deposits) conducted for the Federal Government.

### Section 2030—Accounting and Reporting Procedures for Gold Certificates

The FRBs and the U.S. Mint have custody of the gold inventory of the U.S.

Government. The FRB holds gold in storage and on display for the U.S. Government. They report on their transcripts to FMS any net changes in holdings. The U.S. Mint holds gold in storage and in inventory and reports net gold transactions on its FMS 224.

The U.S. Mint, FMS, and the Board of Governors of the Federal Reserve System updated reporting procedures when the new demonetization policy became effective in 2001. To affect the new demonetization policy, FMS requested that the FRBs redeem gold certificates for 100,000 ounces of gold. Subsequently, each month the U.S. Mint advises FMS of increases or decreases in gold inventory, and FMS advises the FRB to effect a like change in gold certificates. The U.S. Mint reports net gold transactions, and FMS's Credit Accounting Branch (CAB) reports net gold certificate transactions on their respective FMS 224s. The difference should remain at \$4,222,222.22, the book value of 100,000 ounces of gold.

### **Section 2030.10—Accounting and Reporting Procedures**

By noon on the last business day of the month, the U.S. Mint advises FMS's Cash Accounting Division (CAD) of its gold inventory balance on an A&L.

CAD determines the net increase or decrease in gold from the previous month's A&L and notifies CAB by email to request the issuance or redemption of gold certificates for the same amount.

CAB notifies the FRB-NY via fax by 4 p.m. on the last business day of the month to issue gold certificates if the gold inventory is increased or to redeem gold certificates if the gold inventory has decreased. Also, if there is no activity during the month, CAB sends a notification letter to FRB-NY indicating that the balance has not changed.

When FMS requests the issuance of gold certificates, FRB-NY prepares an SF 215: Deposit Ticket, to reflect the deposit of funds to the TGA. When FMS requests the redemption of gold certificates, FRB-NY issues an SF 5515: Debit Voucher, to reflect the withdrawal of funds from the TGA. CAB uses the FMS 215s and FMS 5515s as supporting documentation for preparation of its FMS 224 reporting to account 20A1054, Gold Certificate Fund, Board of Governors of the Federal Reserve System.

CAB subsequently sends a letter to the FRB Board to confirm that FMS's gold certificate balance agrees with the FRB's, and the FRB Board returns a verification of CAB's balance.

The U.S. Mint reports net gold transactions to account 20A1053, U.S. Treasury-Owned Gold, and CAB reports net gold certificate changes to account 20A1054 on their respective monthly FMS 224s.

CAD maintains a comparison of the balances in account 20A1053 and account 20A1054 to assure that gold certificates are issued or redeemed per legislative and Treasury policy guidelines. The difference between these balances should be \$4,222,222.22, reflecting 100,000 ounces of unmonetized gold.

CAD prepares and publishes the monthly Gold Report. The Gold Report reflects the gold held by the FRBs and the U.S. Mint at the end of the accounting period. This report is available on FMS's Web site at <http://www.fms.treas.gov/gold>.

Monthly and at yearend, FMS reports the portion of the gold and gold certificates balance equivalent to the gold held in the U.S. Mint vaults and on display by the FRBs for the *Financial Report of the United States Government*. The majority of Treasury's gold is reported by the U.S. Mint.

## **Contacts**

### ***Direct questions related to the gold certificates account balances to:***

Credit Accounting Branch  
Financial Accounting and Services Division  
Financial Management Service  
Department of the Treasury  
3700 East-West Highway, Room 622D  
Hyattsville, Md. 20782  
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**PART 6 - ACCOUNTING AND REPORTING FOR GOLD CERTIFICATES**

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